The British Broadcasting Corporation

by Eli M. Noam

Columbia Institute for Tele-Information
Graduate School of Business
Columbia University
809 Uris Hall
New York, NY 10027
(212)854-4222

The Reformation of British Broadcasting

The Thatcher government had introduced far-reaching transformations in the telecommunications sector; it had also created an ambitious scheme for cable television. But for the broadcasting sector, the conservative government had taken few initiatives outside the attempt to keep the BBC's license fee down, and establishing Channel 4. This attitude changed in the late 1980s, when Margaret Thatcher herself chaired a top-level cabinet committee on broadcast reform. The committee concluded that ITV enjoyed excess profits from monopolistic advertising revenues ($2.3 billion in 1988) and that its protected status promoted poor management and union featherbedding.

Change began, as in continental Europe, in radio broadcasting. Here too a duopoly system existed. The BBC had a monopoly over national radio channels, with four national radio channels; regional service for Scotland, Wales, and Northern Ireland; and BBC local stations in England.[14] BBC Local Radio began in 1967 and was expanded in 1977. Local radio was also provided by the several dozen Independent (i.e., commercial) Local Radio (ILR) stations, regulated by the IBA.

In the 1960s, pirate radio stations from ships or other locations invaded Britain with low-budget commercial programs. A 1966 White Paper, still based on the law-and-order approach to broadcasting, had led to the outlawing of operation, supply, or advertising on pirate stations.

However, the pirates did not disappear, indicating that the public demand for diversity in radio was not filled. There were, at most times, at least half a dozen pirate radio stations on the air aiming at British audiences. In an attempt to undercut the pirates, the Home Office in 1985 announced its willingness to license twenty-one community radio stations, a new class of radio, for a two-year trial.[15] Eventually, the government's approach changed from suppressing commercial radio activities to channeling them into a market system.

In 1986, the Department of Trade and Industry recommended a market in radio spectrum, expanding on a 1983 report on radio spectrum policies and a more recent analysis advocating a market in radio spectrum (CSP International, 1987).

In February 1987, the government published a Green Paper concerning radio, entitled "Radio: Choices and Opportunities." The document provided for the establishment of three national private radio networks and hundreds of local and community radio stations during the 1990s. The government determined to open up the sector to competition and market forces. Specific standards were set up for local commercial radio, but within a context of general liberalization of regulations (both technical and in programming).

The debate of the future of British broadcasting came to a head with the October 1988 White Paper, *Broadcasting in the 1990's: Competition, Choices, and Quality,* the most significant expression of the planned deregulation of the British broadcasting system. It established a dramatic transition from the traditional system to a market-oriented model. It attempted to remove restrictions

on the expansion of supply for the consumer, to strengthen the efficiency of the supplier, and to reduce the dualism of the public-private model. And it continued the Peacock Committee recommendations to infuse competition into the duopoly of the BBC and ITV firms (Home Office, 1988a).

The White Paper aimed at transforming ITV by competitive forces. The ITV franchises would be auctioned off in 1992 to groups offering both competitive bids and public service commitments (Lee, 1988). The proposals also included a new and fifth national channel and liberalized rules on sponsorship, advertising, and subscription fee rules. Also, an Independent Television Commission (ITC) would replace IBA and Cable Authority and regulate with a "light touch," which would lack the IBA's powers to restrict acquisitions. The ITC's licensing would follow a two-step test for programming quality and then the financial tender. Licenses would be for ten-year periods (Home Office, 1988, p. 22). Licensees would be taxed on revenues, not profits. Channel 4 would become fully independent of the ITV companies and able to enter the advertising and program markets directly, as a competitor; two additional DBS channels would be licensed by the IBA; and the BBC and others could raise revenues through subscription TV as fund-raising. The White Paper also commissioned a study of Multipoint-Video Distribution Systems (MVDS). Transmission (i.e., service delivery) would be separate from service provision (i.e., programming) (Home Office, 1988a, p. 39). Regionally based transmission systems, currently operated by BBC and IBA, would be private and competitive, except for certain common carrier obligations yet to be determined by the government. Broadcast standards and consumer protections would remain, prohibiting inaccurate reporting, offensive or violent programming, and requiring impartial coverage of religious or political issues. A Broadcasting Standards Council (BSC) was to be established on a statutory basis. One of the BBC's channels would be used by other broadcasters after midnight, and the second one would have to raise some income from subscription.

In addition, the traditional quota limit of 14 percent of American programming would be kept on BBC and ITV channels (Carter, 1989).

The White Paper's far-reaching proposals generated much controversy. Some 3000 parties offered formal comments on the White Paper. The BBC was relieved to find extensive criticism of ITV rather than of itself. The ITV firms, on the other hand, complained about the assault on their franchises, as well as its indirect threat of fostering cable and satellite competitors.

After public discussions, a more gentle Broadcasting Bill was presented by the government to Parliament and passed in 1990. Many Conservative party members concerned with traditional culture as well as the Labour party were opposed. The Act established the Independent Television Commission (ITC) as the new broadcasting and cable television regulator, with powers to grant broadcasting licenses to the highest bidder, with a strong consideration for quality standards that had to be shown first, and which could still overcome the highest bid at the end. (Bids would be for the first year; for the remaining nine years of a license, fees would be indexed.) ITV will be renamed Channel 3 (C3) in 1993, with a ten-year renewable license, and Channel 4 will be established as a separate corporation with the ability to sell its own airtime and a guaranteed minimum annual income of 14 percent of total television revenues; the Welsh Authority will continue broadcasting on S4C, with a guaranteed minimum of 3.2 percent of television revenues. The ITC will also award a national license for a fifth national channel (C5), and one or more news service providers for C3 and C5. At least 25 percent of programming time for all terrestrial licensees, the BBC and satellite service, will be filled by independent productions (though there is no provision dealing with the prices the independents could receive, as their after-rights, issues that led to chronic disputes in the United States).

The ITC also licenses domestic and nondomestic satellite services as well as program services provided via telecommunications networks for ten years. Local service licenses (for cable or microwave delivery of ITV, BBC, satellite, and radio) are licensed for fifteen years.

The bill, together with its amendments, also set stringent cross-ownership restrictions. Licenses, except for local delivery services and nondomestic satellite services, may be granted only to residents of the European Community. They may not be granted to political bodies, advertising agencies, and bodies with "undue influence." Terrestrial channels, domestic satellites services and national radio licenses cannot be owned by religious bodies. In general, ownership is limited to either two C3 regionals, one C3 national, one C5, one national radio, six local radio, or six restricted radio stations. Local or national newspaper owners cannot own more than 20 percent of a C3, C5, or national radio service. A local newspaper owner cannot hold more than 20 percent of a local radio or delivery system in its region. The same percentage restrictions hold true for C3, C5, or national radio stations owning newspapers. C3 licenses must provide children's, religious, news, and regional programs, and offer program diversity.

The bill strengthened quality safeguards for programming substantially compared with the White Paper. Incumbent ITV operators became more comfortable with the notion of an auction system, as long as it took quality into account, which they believed would favor them against the upstart rivals. This is partly wishful thinking, unless favoritism takes place in the bidding process. The ITV companies have high costs built into their operation (more than 14,000 employees alone for one channel), which should negatively affect their bids. They are unused to competing for advertising revenues, and their market share, given the entry of cable, satellite, and terrestrial rivals has nowhere to go but down. Under the Act, they must even help promote the programs of their now emancipated offspring, Channel 4, and fund some of its potential revenue shortfalls, while benefitting only little from its discriminating audience. Also, some of the incumbents formed alliances with each other and potential alternative bidders to reduce competition for the license.

Channel 5 was envisioned as a non-London based national broadcaster supported by advertising, and reaching those 70 percent of the population not located close to Ireland and France (whose interference prevents transmission).

Its frequency requires the retuning of most British VCRs and a new antenna. Its economic viability was uncertain in the short term.

There were also changes in radio broadcasting. The Broadcasting Act created a new Radio Authority that allocates, also by competitive tender, three new national radio stations and, in a gradual fashion, 200–300 new community stations. The three independent national radio (INR) stations would specialize, respectively, in pop music, non-pop, and news/speech programs. Licenses are based on sealed bid auctions. The local stations, on the other hand, are assigned according to diversity criteria and the discretion of the newly created Radio Authority (i.e., there is only limited competition within formats).

Transmission services provided by the IBA were moved into a private firm, National Transcommunications Ltd. C3 companies were required to use the same operator, most likely NTL. The company could also compete for the business of new broadcasters. The government also planned to permit competitive bidding for major sports events, removing a protection which had benefitted BBC and ITV. The bill was passed and received royal assent in November 1990. Britain had taken a major step in the direction of an open television system.

Conclusion

Britain's television had been stable for more than thirty years, based on the strong public BBC and the private ITV cartel. Because commercial television existed and served the center and lower ends of the taste distribution, there was less pressure for change than on the Continent. The British experience of stability within a limited mixed system may repeat itself in European countries after commercial television is instituted there, though it will be harder to maintain, given the proliferation of cable and satellite distribution and the increasingly open European frontiers. A pure public monopoly has certain arguments of principle in its favor; but there are few justifications for a limited private television except the flawed claims of spectrum scarcity, and the need for monopoly profits to support quality programs. Eventually, television was further opened in Britain. Several forces came together. The BBC's support had weakened in the British elite and could not be mustered in protection of the duopoly. The government also pursued high technology policies that encouraged cable television and domestic DBS satellites; and although neither distribution mode became successful in the 1980s, it sent signals to the programming part of the media system that change was on its way. This led to the perhaps strongest aspect of change: the emergence of London as the European center for program packaging and provision. This role was a natural one, given London's traditional role in information-based services, such as international trade and finance, shipping, and cultural productions from theater to film to publishing. The role was also a logical extension of London's gateway function between Europe and North America. These advantages were consciously strengthened by the British government's general economic liberalization policies. In television, it meant a great deal of freedom for satellite-delivered channels. In consequence, many of these channels originate in London.

British program channel supply thus raced far ahead of the available system of domestic distribution. They became integrated international firms. Sooner or later this forces distribution to move to a higher level; otherwise, the program end, lacking a home base, would miss critical stages in its release sequencing. In that sense, British media liberalization is software-driven, whereas in many other European countries it is hardware-driven, mainly by the construction of cable networks.

As the rest of Europe moved to the stage of limited private television, which Britain had reached more than a generation ago, the British government embarked on the next level of reform. Now the United Kingdom was on the road to establishing a market system in the private television field. The long-term significance of this is not just that a few more channels are likely to be available. Much more important is the fact that television moves beyond the stage of being a favor bestowed by the state. In that sense, Britain was moving, ahead of other European countries, from the television of privilege to the television of openness.

However, media policy in the United Kingdom was not based on a broad consensus. It was primarily supported by the free-market wing of the Conservative Party, with more American support and participation than elsewhere in Europe. A different constellation of power could modify this policy considerably.

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Italy

Italian television provides less of a generally applicable precedent than a case study of what can happen if the political system is incapable of reform. On the one hand, Italy has had the most open broadcast system in Europe. There is little cable television, and few satellite channels are available, but hundreds of commercial television stations have broadcast since 1976. On the other hand, Italy's transformation was brought on largely by the initiatives of broadcast pirates, which were later sanctioned by the nation's courts. The Italian political system was unable to establish a policy on entry or regulation. Consequently, for more than a decade there had been almost no structural control of local private broadcasting. In its absence, Italian commercial TV has rapidly evolved into a highly concentrated industry dominated by Silvio Berlusconi, with strong elements of a public–private duopoly.

History

The early history of Italian broadcasting is closely linked with Mussolini's dictatorship. In 1924, the privately owned Union Radiofonica Italiana (URI) obtained a six-year, renewable monopolistic concession on broadcasting, subject to government censorship and financed by fees paid by radio set dealers.

Noting radio's popularity and power, the fascist government in 1929 transformed URI into Ente Italiano Audiozioni Radiofoniche (EIAR), a semigovernmental company, whose supervision it closely shared with local Fascist *vigilanza* organizations. After 1931, EIAR was put under the control of the Societa Idroelettrica Piemontese (SIP), then an electric utility and later the main state telephone company.

During World War II, government control was tightened still further. In 1944, RAI (originally Radio Audironi Italiane, later Radiotelevisione Italiane) was founded as a counteroperation to EIAR, which was still controlled by the Mussolini government. After 1945, RAI was left with exclusive broadcast rights. In 1952, ownership relations were reorganized, and SIP transferred 75 percent of its RAI ownership to the Instituto per la Ricostruzione Industriale (IRI), the government holding company for industrial enterprises. (In 1964, SIP sold its remaining interest in RAI to IRI.)

RAI's broadcasting activities were extended to television in 1952. Regular